

Think Piece: Humanitarian Financing

Purpose

This paper was originally drafted for those involved in consultations for the World Humanitarian Summit (WHS) in 2016. It provides an overview of the problems of humanitarian financing, summarises the approaches and improvements made to date, and highlights areas where more discussion and research are needed. It is clear that bold and comprehensive solutions are required, and the paper is a first step towards finding new ideas and ways of working. Comments and feedback are welcome. Please write to charlotte.lattimer@devinit.org.

Introduction: stating the problem

There has never been enough humanitarian funding. Needs have always gone unmet, and the international community has long sought ways to fix this problem. Yet there now appear to be renewed attention and energy for change. This is prompted by the sense that humanitarian assistance is at a critical juncture: inadequate resources are being over-stretched to cover a wider scope of needs, in a greater number of crises.

The changing scale and scope of humanitarian needs

Humanitarian response is becoming increasingly stretched by the number, scale and severity of emergencies. An unprecedented number of people are now affected by crises, particularly protracted crises that demand large-scale and complex responses. Levels of displacement are at their highest since World War II. An estimated 10.7 million people were newly displaced by conflict or persecution in 2013, compared with 7.6 million newly displaced in 2012.¹ Around 96 million people were affected by disasters, such as floods, earthquakes and storms in 2013. Not all those affected by crises were in need of international humanitarian assistance, as domestic resources responded to the needs of millions of people in countries such as China and India. However, the international community responded to remaining need in 2013 on a dramatic scale, with a record US\$22 billion in funding. Yet this was still not enough. While UN coordinated appeals do not cover the full extent of needs, in 2013 only 65% of their stated requirements were met.

There was a similar stretching of humanitarian resources in 2014 with the continuation of large-scale and complex crises including in Syria, Iraq, Gaza and South Sudan and the Ebola virus in West Africa, to name just some. By the end of 2014, UN-coordinated appeal requirements had increased by 49% compared with the previous year to US\$19.2 billion, but only 56% of these requirements were met.² The cost of responding to these emergencies is also increasing, due to a number of contextual

¹ GHA/Development Initiatives (2014) *Global Humanitarian Assistance (GHA) Report 2014*, September 2014. Unless otherwise stated, all the following data comes from the same source.

² These figures exclude the amount requested for the Ebola response. Data is taken from UN OCHA's Financial Tracking Service. Figures are correct as of 20 January 2015.

factors. The overall cost per beneficiary in UN-coordinated appeals has increased from US\$168 in 2013 to US\$204 in 2014.

Data is not yet available to determine trends in funding from government donors in 2014. However, 2013 saw humanitarian assistance from government donors reach an unprecedented high at US\$16.4 billion. Governments outside the OECD DAC showed a bigger increase – 58% – between 2012 and 2013,³ while funding from OECD DAC donors increased by 20%. Private donations continue to be an important source of humanitarian funding, representing 24% of the total international response between 2008 and 2012. Funding from private donors fell in 2011 and 2012 after a peak in 2010. However, preliminary data suggests an increase in private funding of 36% in 2013 from the previous year.⁴ In 2013, over US\$1 billion (4.7% of total international humanitarian assistance) was channelled through pooled funds. If revisions to the Central Emergency Response Fund (CERF)⁵ and humanitarian country-based pooled funds go ahead, resources channelled through pooled funds could see further increases in 2015.

Funding channelled through domestic NGOs continues to be only a tiny proportion of international humanitarian response: US\$212 million between 2009 and 2013, which represents only 1.6% of the total given directly to NGOs and 0.2% of the total international humanitarian response over the period.⁶ After a peak of direct funding to national NGOs in 2011, contributions fell in both 2012 and 2013. Data is not yet available on direct funding to domestic NGOs in 2014, though a significant increase is unlikely.

The changing remit of humanitarian response

Humanitarian assistance is designed to save lives, alleviate suffering and maintain and protect human dignity before, during and after man-made crises and natural disasters.⁷ This is potentially a very broad remit – there is a general recognition that ‘saving lives, alleviating suffering and maintaining and protecting dignity’ require complex, multi-dimensional approaches and that the ‘before, during and after’ require long-term engagement.

We know that the people who are worst affected by humanitarian crises are also the poorest, most marginalised and most vulnerable. In 1990, 20% of people in extreme poverty lived in fragile states.⁸ Latest estimates suggest that the proportion is now around 50%.⁹ In 2012, 35% of humanitarian assistance went to countries with government expenditures of less than US\$500 per capita – less than a third of the developing country average.

Humanitarian assistance is often required for long timeframes. The majority of international humanitarian assistance – 66% in 2012 – goes to long-term recipient countries. This reflects the fact that humanitarian crises are often protracted or recurrent and that, for populations who are

³ The largest volumes and rises from non-DAC donors between 2012 and 2013 came from Turkey and Kuwait.

⁴ Preliminary data only, to be verified.

⁵ The UN High Commissioner for Refugees, António Guterres, has suggested the idea of a Super Central Emergency Response Fund supported by mandatory contributions from UN member countries, which would be activated in the case of L3 emergencies.

⁶ Both national and local NGOs access unreported quantities of funding further down the transaction chain.

⁷ Based on definitions of humanitarian assistance by the Good Humanitarian Donorship Initiative and the OECD DAC.

⁸ ODI (Kharas and Rogerson), 2012.

⁹ Development Initiatives, *Recalibrating ODA allocations post-2015*, November 2014.

marginalised and vulnerable in countries with poor governance, humanitarian assistance is one of the few resources available. And so the humanitarian community is pulled into an ever widening agenda where chronic poverty, vulnerability, insecurity, recurrent shocks and political and environmental factors intersect.

Development assistance has tended to focus on national-level and government ownership. Development actors have realised that policies to lift large numbers of people out of poverty will not necessarily work for the chronically poor, most vulnerable or those 'left behind'. However, their modalities and institutions – and the political will to invest in them – have not kept up.

As a result, in places where domestic government resources are lacking, when it comes to the most marginalised and most vulnerable people much of the heavy lifting has been done by the international humanitarian community. Relying on humanitarian action will not be enough, however – it is neither designed nor resourced for this. There is a cost to this expanded interpretation of the humanitarian imperative, which cannot be met by humanitarian budgets alone. Nor is the provision of short-term and unpredictable assistance to meet acute humanitarian needs necessarily a good investment in terms of longer-term efficiency and effectiveness.

There has been a long history of attempts to fill the gap specifically between relief and development funds, including with 'recovery funds' and specific initiatives in a number of contexts. A number of live discussions are under way in this area to attempt to move beyond reiteration of the problem to scalable good practice, including through the IASC Principals and the UN Chief Executive Board. However, what is needed is a more fundamentally holistic approach which uses all available tools and resources.

If we are to succeed with the post-2015 agenda and uphold the important principle of 'leaving no-one behind', then others must step up to the challenge. We need to find a way to break down financial and institutional silos and work towards plans that make all resources count for crisis-affected people. This includes not only humanitarian funding and development assistance but also government revenues, remittances and peacekeeping. It refers to public, private, domestic and international resource flows. There is mutual self-interest for different resourcing communities to work more effectively together, not to mention the benefits for people affected by crises.

The challenges of humanitarian financing

The challenges ahead are two-fold:

- a) How to ensure adequate, timely and appropriate resources to respond to acute and growing levels of need for international humanitarian response?***

This involves working within the humanitarian system – at international, national and local levels – to improve the mobilisation, targeting, disbursement and transparency of funds and resources from diverse actors.

- b) How to ensure adequate and appropriate resources to respond to the underlying causes and protracted symptoms and consequences of crises?***

This implies reaching out beyond the traditional humanitarian sector to address the barriers and gaps in all resources to improve the lives of those vulnerable to and affected by crisis.

Critical questions

Within these two challenges there are a number of key questions to be addressed:

- 1) There is not enough visibility of available finances to meet the needs of the growing number of people affected (or at risk of being affected) by crises.
 - How to increase transparency of all resource flows to get a more accurate reading of available humanitarian funding and gaps?
 - How to determine that specific interventions represent good value for money and in some cases generate further efficiencies?
 - How to get better visibility of and increase the amount of private (i.e. non-state) funding for humanitarian response?
 - How to work better with diverse government and other donors to understand funding availability and priorities, and ensure that all resource streams are working together effectively?
 - How to promote a standardised approach to track donor spending against commitments on gender in emergencies?

- 2) There is at present a 'one size fits all' approach to humanitarian financing, which is primarily internationally led. The international architecture of humanitarian policy-making and response smoothes out potential differences between responses to sudden-onset natural disasters compared with complex and protracted emergencies, rural crises compared with urban ones, national emergencies compared with cross-border crises, etc.
 - In 'non-contested' contexts where domestic capacity to prevent and respond to crises already exists but humanitarian needs overwhelm the available resources, how can humanitarian financing mechanisms and methods evolve to support and complement national and local governments?¹⁰ This includes understanding and working alongside domestic mechanisms such as social security or other forms of insurance that kick in when thresholds of vulnerability are reached.
 - How can existing or new funding mechanisms better support and enable systematic civil society response from national and local non-state actors in both conflict and disaster settings?
 - In fragile or 'contested' contexts, how can we ensure that humanitarian financing is informed by an understanding of the economic, social and political context and so minimises disruption to and complements local economies, and promotes recovery and longer-term development? This includes finding ways to combat the negative impact of counter-terrorism legislations on humanitarian organisations working in areas controlled by non-state armed groups.
 - In contested and often protracted conflict settings, how can sufficient and sustainable resources be mobilised to support independent and impartial action?

¹⁰ Often in response to natural disasters, disease outbreaks and man-made disasters such as industrial accidents.

- 3) Humanitarian funding for crises often misses the mark because of timing: it often arrives too late and its funding cycles are too short.
 - How can we make humanitarian funding instruments more flexible – both immediately responsive and/or sustained over the longer term according to the needs in different contexts?
 - How to overcome disconnects that prevent humanitarian actors passing the baton to and/or working alongside their development counterparts – including disaster and conflict prevention, risk reduction, peace-building and governance actors – when appropriate and shifting the focus to longer-term recovery and resilience building (and vice versa)?
- 4) Funding is not targeted according to need. There are gaps and disparities because international resources are used to respond according to institutional requirements rather than in response to real evidence of needs and risks.
 - How to empower people affected by or at risk of crises to articulate their own needs and make choices according to their own priorities, disaggregated according to gender, age and other groups within crisis-affected/prone populations?
 - How to agree on total needs, risks and priorities for funding – including those needs that are not reported because of access constraints or other issues – in a way that holds all actors (both humanitarian and development, national and international) accountable to respond?
 - How to track the results of humanitarian and development spending so as to demonstrate progress, minimise waste and encourage the most efficient use of scarce resources?
- 5) Funding for humanitarian assistance is designed to respond to the symptoms of crises and is not adequate or appropriate to address the underlying factors and drivers.
 - What incentives are required to stimulate the engagement of other sectors and ‘communities’ – including climate financing, poverty reduction, stabilisation/security – to bring about joint discussions on how to better manage risk?
 - How to access adequate levels of funding to simultaneously respond to immediate needs while strengthening resilience to future shocks?

Literature review

An initial literature review yields the following thinking under each of the critical question headers.

1) Not enough oversight of resources to meet the acute needs of the growing number of people affected by crises

Not enough transparency about all existing resources

Ideas/recommendations

Improving the transparency of aid is essential for the efficient and effective use of resources.

Why aid transparency matters and the global movement for aid transparency, Publish What You Fund

Modify IATI to allow easy identification of humanitarian funding.

GHA Report 2014, Development Initiatives

Systematic reporting to IATI should allow funds to be traced from the donor all the way to the ultimate recipients.

GHA Report 2014, Development Initiatives

The relationship between aid transparency and recipient budgets must be carefully addressed in various efforts to improve aid transparency.

Greater Aid Transparency, OCI/IBP

Transparency of funding to national NGOs by more systematic reporting by donors and intermediaries to IATI.

Funding at the Sharp End, CAFOD

Not enough oversight of private funding and collaboration with private sector for humanitarian response

Ideas/recommendations

Humanitarian sector to make its operations more accessible and transparent to non-traditional partners (specifically private sector).

The role of business and the private sector, Jordan case study, HPG/ODI

Disburse 'zakat' funds through loans or micro-credit financing.

Prof Wafa, quoted by IRIN, A faith-based aid revolution in the Muslim world?, June 2012

Harness the potential of diaspora and economic migrants in support of humanitarian action, including through financial contributions.

WHS Southern Africa Consultation

Humanitarian organisations should engage the private sector on issues related to due diligence processes, and make efforts to better capture the value of private sector contributions, including goods and services provided in-kind, rather than just financial flows

WHS N. and S.E. Asia Consultation

Not enough collaboration between all government actors

Ideas/recommendations

GHD to shift away from exclusive perspective of traditional donor countries.

Now or Never: making humanitarian aid more effective, DARA

Question whether humanitarian principles are always relevant. Could a sparser but more faithful use of principles, adapted to context, be envisaged?

Rethinking humanitarianism: adapting to 21st Century challenges, IPI

Unless recipient countries get accessible, comprehensive and comparable information from donors, recipients cannot hold their governments accountable and those governments cannot plan, prioritise or explain to their populations what they are doing.

Information: Let countries know what donors are doing, Oxfam

An open and transparent accountability framework should be put in place to measure donor performance against the GHD principles.

WHS N. and S.E. Asia Consultation

2) Humanitarian financing architecture follows a one-size fits all approach which is primarily internationally led

International humanitarian actors are often unaware of how to add value and/or do no harm in situations where national and local governments have the will and capacity to take the lead	In situations where national and local non-state capacity exists, not enough financing to directly support national/local non-state actors	Inadequate understanding of or sensitivity to local economic, social and political context
Ideas/recommendations	Ideas/recommendations	Ideas/recommendations
<p>Minimise risk of doing harm by: using multi-donor pooled funds; using government budgets to coordinate public sector provision; agreeing not to poach government staff.</p> <p>Localising aid: is it worth the risk?, ODI</p>	<p>In countries with a large number of small recovery funds, consolidate them and allow them to act as gravity centres to coordinate international assistance and align it with national goals.</p> <p>Financing Recovery for Resilience, UNDP</p>	<p>Develop a better understanding of context to tailor aid instruments and implement special risk mitigation measures where necessary.</p> <p>Localising aid: is it worth the risk?, ODI</p>
<p>Understand recipients' perspectives on risk.</p> <p>Localising aid: is it worth the risk?, ODI</p>	<p>Support initiatives to map and verify national response capacity.</p> <p>Funding at the Sharp End, CAFOD</p>	<p>Minimise risk of doing harm by: using multi-donor pooled funds; using government budgets to coordinate public sector provision; agreeing not to poach government staff.</p> <p>Localising aid: is it worth the risk?, ODI</p>
<p>Early warning systems and responsive institutions lessen the impacts of natural disasters.</p> <p>Human Development Report 2014, UNDP</p>	<p>Remove barriers to access of humanitarian funding for national and local NGOs through better access to information and a seat at the table in decision-making forums.</p> <p>Funding at the Sharp End, CAFOD</p>	<p>Devices for transferring and sharing risk, particularly pooled funding mechanisms, have potential that is not yet being realised. A more differentiated approach to risk management is required, allowing fund managers to balance disbursement risk against opportunity costs.</p> <p>Aid Risks in Fragile and Transitional Contexts, OECD</p>
<p>Investments in resilience should be undertaken within the context of a broader development framework, regarding strengthened resilience as an integral part of development goals and approaches.</p> <p>Investing in Resilience, ADB</p>	<p>Set up a new Global Capacity Fund – resourced with both humanitarian and development funding – to channel contributions from humanitarian and other donors to scale up investments in emergency preparedness and response capacity.</p> <p>Funding at the Sharp End, CAFOD</p>	<p>Develop hybrid forms of practice and financing – combining humanitarian/development/human rights – to protect people in situations of endemic violence.</p> <p>Innovation in Humanitarian Action, Hugo Slim, University of Oxford</p>
<p>Currently, funds are still channelled overwhelmingly through international aid agencies and increasingly the UN. In some contexts, it may be more appropriate for donors to fund governments directly.</p> <p>Towards good humanitarian government, ODI</p>	<p>Invest in insurance and other risk transfer tools to better manage crisis risk.</p> <p>Saving Lives Today and Tomorrow, OCHA</p>	<p>Take coordinated action on the security, development, political and diplomatic fronts to tackle fragility with all the instruments at our disposal.</p> <p>Not enough money for emergency relief? Get used to it, Georgieva, The Guardian</p>
<p>Build a regional preparedness and response fund for local organisations, including finance for capacity building.</p> <p>WHS Southern Africa Consultation</p>	<p>Build a regional preparedness and response fund for local organisations, including finance for capacity building.</p> <p>WHS Southern Africa Consultation</p>	<p>The necessary concern with corruption and other fiduciary risks in these contexts needs to be balanced against programme demands and the nature of the contextual risks that aid interventions are designed to tackle.</p> <p>Aid Risks in Fragile and Transitional Contexts, OECD</p>
<p>Explore new models such as collaborative finance that allow mobilisation, movement and access to funds using peer-to-peer online platforms, without the involvement of traditional financial institutions.</p> <p>Future Humanitarian Financing Background Paper</p>	<p>Explore new models such as collaborative finance that allow mobilisation, movement and access to funds using peer-to-peer online platforms, without the involvement of traditional financial institutions.</p> <p>Future Humanitarian Financing Background Paper</p>	<p>Donors and intergovernmental bodies should ensure that counter-terrorism measures do not undermine the valuable role played by national and local humanitarian actors.</p> <p>Study of the Impact of Counter-terrorism measures on Principled Humanitarian Action, OCHA/NRC</p>

3) The timing of funding for humanitarian action is often out of synch with the needs of crisis-affected/prone populations

Lack of flexible humanitarian financing that can respond immediately and be sustained as needed

Ideas/recommendations

Simplify, reform and harmonise UN contracting processes to improve responsiveness and improved access for NGOs.

Funding at the Sharp End, CAFOD

Invest in NGO-led pooled funds that provide innovation and complementarity to those led by multilaterals in terms of focus, agility and balance of recipients.

GHA Report 2014, Development Initiatives

Invest more in non-UN funding mechanisms and address problems with UN-funding systems.

Where is Everyone?, MSF

Think in decades. The humanitarian system needs to learn from long-term investment techniques that build from ideas of patient capital and long-term gains.

Innovation in Humanitarian Action, Hugo Slim, University of Oxford

Donors should invest in multi-year humanitarian financing as the norm.

When disasters and conflicts collide, ODI

The trend towards multi-year financing should continue.

Imagining More Effective Humanitarian Aid, OECD

Create a 'Super-CERF' for L3 emergencies, based on assessed contributions similar to what exists for peacekeeping missions.

Antonio Guterres, UNHCR

Build a new global rapid response mechanism or reinforce existing ones.

WHS Southern Africa Consultation

A disconnect between humanitarian and development funding streams prevents earlier responses to underlying long-term issues in crisis contexts

Ideas/recommendations

Early establishment of development pooled financing mechanisms in order to leverage the risk management potential of a pooled fund and facilitate the early release of development finance.

Financing Recovery for Resilience, UNDP

Humanitarian and development organisations to transcend the institutional divide that separates them by agreeing common risk management and resilience objectives, and achieving them through joint analysis, planning, programming and funding.

Saving Lives Today and Tomorrow, OCHA

Donors to mix and match their tools to provide the most appropriate funding for the evolving recovery context – working towards providing flexible development funding earlier in the recovery process.

Towards Better Humanitarian Donorship, OECD

There must be more flexibility and complementarity between short- and longer-term interventions. Development agencies, donors and international financial institutions all have an important part to play in this. They must come to the field and start acting earlier.

Antonio Guterres, UNHCR EXCOM Address, Sept. 2014

Encourage the use of 'crisis modifiers', pioneered by USAID/OFDA in Ethiopia, thus enabling a more integrated, agile and flexible approach.

Managing the Risk not the Crisis, HPN

Initiatives such as crisis modifiers – which allow 'development' programmes to switch into 'emergency' gear in response to certain triggers in the Horn of Africa – encourage innovative programming approaches.

The Evolution of DFID's Humanitarian Financing in Yemen, HPN

4) Resources are not targeted to meet the real needs of people affected or at risk of being affected by crises

<p>Crisis-affected/prone populations not empowered to express their own needs or make choices about their own recovery</p>	<p>No common agreement on total needs/risks and how to respond</p>	<p>No way of tracking the results of spending to maximise resources</p>
<p>Ideas/recommendations</p>	<p>Ideas/recommendations</p>	<p>Ideas/recommendations</p>
<p>Use the web to renew and build on grassroots connections. More support for initiatives like CDAC, START, Digital Humanitarian Network. <i>The Humanitarian Future, Paul Currión</i></p>	<p>The agencies assessing the needs should not be the same as those appealing for funds. <i>Now or Never, DARA</i></p>	<p>Agree on a common framework to measure donor performance and the performance of operational actors. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>
<p>Funding to develop a new approach to planning and results based on prioritisation by affected populations. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>	<p>Ensure incentives for the use of evidence. Future standards and associated certification processes should require agencies to meet agreed standards on the quality of evidence collection. <i>Lack of Evidence?, ALNAP</i></p>	<p>Donors to promote systems that collect and monitor results to make future decisions. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>
<p>Donors to focus on response tools that enable choice (e.g. cash programmes). <i>Imagining More Effective Humanitarian Aid, OECD</i></p>	<p>Need for better data to understand people's needs and priorities, as well as the overall resources available. <i>GHA Report 2014, Development Initiatives</i></p>	<p>Funds should be earmarked for the delivery of specific results, not earmarked for specific projects. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>
<p>Social protection mechanisms, such as cash transfer programming, need to be dramatically scaled up. <i>Saving Lives Today and Tomorrow, OCHA</i></p>	<p>Risks are interconnected. Analysis of needs and risks should be multi-dimensional and shared. <i>Risk and Resilience Analysis, Rachel Scott, OECD</i></p>	<p>Donors, in partnership with new media, should promote accountability and feedback loops, especially to and from affected people. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>
<p>Reduce donor restrictions on cash-based interventions, where appropriate. <i>WHS W. & Central Africa Online Consultation</i></p>	<p>Renewed collective commitment to needs-based funding through a donor division of labour. <i>Bridging the Needs Based Funding Gap, NRC</i></p>	<p>More research and promotion of field-level participation. Flexibility in programming so that programmes can be adjusted according to feedback. <i>Towards Better Humanitarian Donorship, OECD</i></p>
<p>More focus on how to channel funds directly from individual contributors to individual beneficiaries, including through wire transfers and money orders. <i>WHS N. and S.E. Asia Consultation</i></p>	<p>Maximise reach through closer coordination between donors, minimise gaps, avoid overlaps. <i>Imagining More Effective Humanitarian Aid, OECD</i></p>	

5) Humanitarian assistance is neither intended nor adequate to meaningfully address underlying factors

The humanitarian sphere is disconnected from other communities that could contribute to preventive action

Ideas/recommendations

Establish a quantitative evidence base on disaster/poverty links and invest in research on establishing a 'vulnerability threshold' that can be used within and across countries.

The geography of poverty, disasters and climate extremes, ODI

Build a better evidence base on how to better invest in risk management in disaster- and conflict-prone contexts.

When disasters and conflicts collide, ODI

Set up joint taskforces of donors and UN agencies in fragile disaster- and conflict-prone countries.

When disasters and conflicts collide, ODI

Support innovations in agriculture to help the region avoid recurrent food crises.

WHS W. & Central Africa Online Consultation

Lack of investment in anticipatory approaches to reduce vulnerability

Ideas/recommendations

Bolster existing financing mechanisms (CHF, ERF, CPR TTF, GFDRR) to address preparedness.

Dare to prepare, ODI

Significant enhancement of either GFDRR or CPR TTF for more investment in preparedness; or create a new global pooled funding mechanism for disaster and conflict preparedness. *Dare to prepare, ODI*

GFDRR should scale up to include fragile/conflict-affected countries and link with World Bank's conflict work. *When disasters and conflicts collide, ODI*

Climate change adaptation financing to be more supportive of preparedness for risk.

Dare to prepare, ODI

Less risk aversion: donors to accept that uncertainty and complexity comes with the territory.

A Calculated Risk, OECD

Donors to develop risk reduction policies with high-level buy-in, mainstream across development planning and programming, train staff and adjust funding streams to ensure a continuous risk reduction focus throughout the crisis cycle.

Towards Better Humanitarian Donorship, OECD

10% of funding for humanitarian response should be allocated to preparedness and DRR activities, particularly those focused on capacity development of local government, CSOs and communities.

WHS N. & S.E Asia Consultation

Gaps in understanding

The literature review set out above presents a mixture of new and rearticulated ideas. In some cases, they are concrete proposals to address particular challenges; in others they are merely descriptions of gaps in humanitarian financing that need to be further discussed and explored. The vast majority of recommendations are targeted at international actors (particularly the 'established system' and 'traditional' donors) and very few even acknowledge the key role of national governments in preventing and responding to crises.

Most of the thinking on better resourcing humanitarian assistance, and all of the literature reviewed in this paper, has come from within the humanitarian sector (or from actors with at least one foot in the humanitarian sector) and moreover from those within the 'Northern' donor, research or operational agencies. This needs to be complemented by research and discussion to answer the following questions:

- How does this funding problem appear from the perspective of a) a Southern donor b) an affected government or c) a local-level responder, and what solutions might this yield?
- What is the perspective from other 'communities'? What does it look like from the perspective of development actors, security actors, climate financing, private financing? How can they be incentivised to 'own' the problem and meaningfully contribute?
- Related to the above, how does the humanitarian financing question align (or not) with discussions on financing within the key 2015 processes – the Sustainable Development Goals, Financing for Development, Hyogo Framework 2, climate talks? To what extent have these addressed the issues, and what political and financial opportunities and constraints have these revealed?

Follow-up

Areas for follow-up can be divided into three categories:

- 1) **Ongoing initiatives:** Ideas that already have backing and are under way.
- 2) **Consensus but no action:** Areas where there is overall agreement on the problem but no action has yet been taken.
- 3) **The missing ideas:** Areas that require additional data and evidence, as well as broader thinking and inputs from outside the humanitarian community.

Problem area 1: not enough transparency of funds

Ongoing initiatives

Continuing **improvements to IATI** and country-based platforms to make them more fit for humanitarian purpose and stricter adherence to IATI reporting standards. Compliance with the IASC's gender marker to allow tracking of spending against donor commitments to gender equality in emergency situations.

Consensus but no action

Modification of IATI reporting requirements to allow funds to be traced from donors to recipients, to gain better oversight of private funding and to gauge the extent of funding to national and local NGOs.

The missing ideas

Transaction costs: Understanding transaction costs and overheads and the relationship between commitments made, what is delivered and, critically, when it arrives at the point of need. Systemic reorganisation of the international architecture may be needed to reduce the transaction costs (financial and temporal) of channelling assistance.

Private funding, including faith-based funding: The vast majority of private funding is not reported to OECD DAC or to the UN OCHA FTS. More forensic research and analysis is needed to understand current levels of private funding for humanitarian response, the potential for an increase in funding from private sources, and recommendations for greater transparency and coherence amongst private donors.

Rising global donors: More research and analysis is needed to understand what drives fluctuations in humanitarian expenditure of governments outside the OECD DAC group, what could be done to increase the predictability and coherence of their humanitarian funding, and how dialogue and lesson learning amongst OECD DAC donors can be more inclusive of rising global donors.

Problem area 2: one size fits all approach

Consensus but no action

More funding to national and local non-state actors: Ideas such as global or regional funds for channelling funding exclusively to local and national NGOs, or similar country-based mechanisms; and allocating a minimal percentage of funding for humanitarian response to national and local actors.

The missing ideas

Alignment with national plans: To what extent and effect have national plans for crisis prevention and response been used as central organising tools for humanitarian and development agencies to plan and implement their own responses? In situations where this may not be feasible or desirable, such as in conflict settings where the government itself is a party to the conflict, are there other tools – e.g. resilience or stabilisation plans – that have been used to deliver assistance to crisis-affected and crisis-prone populations?

Domestic funding first/international funding second: In non-contested settings, making the shift from thinking about international humanitarian assistance as the primary source of funding and considering it instead as a supplementary injection of funds in support of other resources. We know from individual case studies that domestic governments can spend substantial sums on humanitarian preparedness and response and are often the first responders. More research is needed to understand the scope and scale of domestic resources in different contexts and the potential for unlocking additional domestic spending to meet humanitarian needs.

Safety nets: We know very little about the formal and informal social security measures in place – e.g. social protection and other safety nets – in crisis contexts. A clearer idea of their purpose, scale, trigger mechanisms, coverage, etc. would allow humanitarian and development actors to work more effectively alongside such schemes to bolster rather than undermine their potential effectiveness.

Risk tolerance: The potential for diversion, corruption and the politicisation of aid will continue to exist and national authorities and international donors must find ways of balancing risk against humanitarian imperatives. More discussion is needed on different risk tolerances and agreements on risk sharing.

Problem area 3: timing out of synch

Ongoing initiatives

Multi-year financing: Many UN-coordinated Strategic Response Plans are now set out over two- or three-year periods. Multi-year funding from donors is lagging somewhat behind, with the majority still continuing with funding cycles of 12–18 months. There is growing pressure on donors for this to change. Internal reviews by donors (such as DFID’s ongoing review of its multi-year humanitarian funding) will help to inform discussions.

Pooled funds: A review of CERF and discussions on the consolidation of country-based pooled funds are already under way within the UN system and IASC.

The missing ideas

Flexible financing: Systemisation of innovative ‘crisis modifier’ approaches, and other sustainable financing approaches, to blend and switch between humanitarian and development funding as needed in protracted settings.

Problem area 4: resources not targeted to meet needs

Ongoing initiatives

Evidence of needs: Recent years have seen renewed efforts to improve the quality and timeliness of humanitarian needs assessments. Various initiatives are already under way to use new media to allow affected populations to express their own needs and to create feedback loops on the effectiveness of humanitarian programming for accountability purposes. More progress is needed on systematic collection and tracking of sex- and age-disaggregated data.

Consensus but no action

Division of labour: There is currently no forum for consultation at the global level between donors on how to divide up the humanitarian caseload. Decisions on who allocates or is best placed to allocate resources to particular crises are not made collectively or communicated comprehensively. Recommendations include expanding the remit of the Good Humanitarian Donorship (GHD) Group to transform it into an operational coordination forum.

Mapping needs, risks and resources: In support of the above ‘division of labour’, build on existing platforms that map humanitarian risks and needs (e.g. INFORM, ACAPS GEO) and overlay with the

available resources for humanitarian action. This will allow decision-makers to clearly see the overlaps and gaps and allocate resources accordingly.

The missing ideas

Collaborative finance: More research on online peer-to-peer financing and the potential for scaling up finance models that cut out the traditional 'middleman', go directly to communities in need and cut down on the usual transaction costs associated with international humanitarian financing.¹¹

Total needs: How to provide better data on the total or actual needs of affected populations, not just the needs that can be met through the requirements outlined in Strategic Response Plans and other planning and resource mobilisation frameworks.

Problem area 5: resources not addressing underlying factors

The missing ideas

Resilience: There is still a lack of knowledge and some scepticism about how to translate the concept of resilience into better development and humanitarian programming on the ground, particularly in contexts affected by protracted conflict. Some donors have developed resilience-building funding initiatives, but little is known about their effectiveness in generating the necessary changes in policy, institutional structures and programming.

Scaling up of development approaches in humanitarian settings. This includes the possibility of earmarking a proportion of all development funding for resourcing protracted, predictable and recurrent events.

Scaling down of humanitarian funding to focus on responses to catastrophic events.

¹¹ IASC Task Team on Humanitarian Financing, Background document for the Future of Humanitarian Financing dialogues, October 2014.

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